

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0444-01  
Bill No.: SB 89  
Subject: Insurance - Medical; Insurance Department  
Type: Original  
Date: January 20, 2015

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Bill Summary: This proposal requires health carriers to file their premium rates and accompanying information with the Department of Insurance for approval.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Insurance Dedicated	(\$275,631)	(\$320,546)	(\$325,023)
<b>Total Estimated Net Effect on Other State Funds</b>	<b>(\$275,631)</b>	<b>(\$320,546)</b>	<b>(\$325,023)</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 5 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
Insurance Dedicated	5	5	5
<b>Total Estimated Net Effect on FTE</b>	<b>5</b>	<b>5</b>	<b>5</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Insurance, Financial Institutions and Professional Registration** assume this proposal requires independent rate filings any time rates change for an existing policy form, including each separate rider/amendment. The proposal applies to all forms of health insurance, not just major medical. It is expected that there will be approximately 2,350 filings per year x \$50 filing fee = \$117,500.

Due to the turn-around time prescribed in the proposal, the department will need at least 1 Actuary and 3 Insurance Product Analyst FTE for policy review, and review of rates for actuarial soundness. The department will also need 1 Legal Counsel FTE to oversee the public hearing requirements in the proposal.

The requirements outlined by the proposal would required web development processes for public comments, reviewing and posting, posting of forms and supporting documents from specific rate filings, and a back office processes to assist in the monitoring and posting requirements. Costs for implementation of these changes are estimated at approximately 380 programming hours providing the current Rate Review infrastructure is sufficient. Any solution substantially different than what is currently in place would result in increase in cost.

DIFP estimates a cost to the Insurance Dedicated Fund of approximately \$440,000 per year for the 5 FTE.

Officials from the **Department of Transportation, the Department of Health and Senior Services, the Missouri Consolidated Health Care Plan, the Department of Social Services, the Missouri Department of Conservation and the Department of Public Safety - Missouri Highway Patrol** each assume the current proposal would not fiscally impact their respective agencies.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
<b>INSURANCE DEDICATED FUND</b>			
<u>Revenues - DIFP</u>	\$117,500	\$117,500	\$117,500
<u>Costs - DIFP</u>			
Personal Service	(\$235,860)	(\$285,862)	(\$288,721)
Fringe Benefits	(\$120,300)	(\$145,804)	(\$147,262)
Equipment and Expenses	<u>(\$36,971)</u>	<u>(\$6,380)</u>	<u>(\$6,540)</u>
<u>Total Costs - DIFP</u>	<u>(\$393,131)</u>	<u>(\$438,046)</u>	<u>(\$442,523)</u>
FTE Change - DIFP	5 FTE	5 FTE	5 FTE
<b>ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND</b>	<b><u>(\$275,631)</u></b>	<b><u>(\$320,546)</u></b>	<b><u>(\$325,023)</u></b>
Estimated Net FTE Change on the Insurance Dedicated Fund	5 FTE	5 FTE	5 FTE
<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT - Small Business

Small business health carriers will be required to submit all policy rate changes, along with a \$50 filing fee, to the Department of Insurance for review and approval.

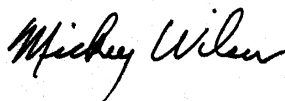
### FISCAL DESCRIPTION

This proposal requires health carriers to submit premium rate changes and supporting actuarial information to justify the premium rate increase to the Department of Insurance for approval prior to issuing or renewing plans with the premium rate changes. Information contained in this filing shall be posted on the department's website and available to the public. The filing must contain a certification that the premium rates are not excessive, inadequate, or unfairly discriminatory by a qualified member of the American Academy of Actuaries. The Director shall disapprove rates found to be excessive, inadequate, unjustified, or unfairly discriminatory. Any violation of this section is determined to be a level two violation.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

### SOURCES OF INFORMATION

Department of Insurance, Financial Institutions and Professional Registration  
Department of Transportation  
Department of Public Safety - Missouri Highway Patrol  
Missouri Consolidated Health Care Plan  
Missouri Department of Conservation  
Department of Health and Senior Services  
Department of Social Services



Mickey Wilson, CPA  
Director  
January 20, 2015

Ross Strobe  
Assistant Director  
January 20, 2015